

Exhibit A

**Relevant Pages of Funding Commitment Decision
Letter for Form 471 #468663**



Universal Service Administrative Company
Schools & Libraries Division

FUNDING COMMITMENT DECISION LETTER
(Funding Year 2005: 07/01/2005 - 06/30/2006)

January 10, 2006

Debra Kriete
NORTH PENN SCHOOL DISTRICT
1421 Round Hill Road
Harrisburg, PA 17110-1338

Re: Form 471 Application Number: 468663
Funding Year 2005: 07/01/2005 - 06/30/2006
Billed Entity Number: 126228
Billed Entity FCC RN: 000326280
Applicant's Form Identifier: FY2005 -1

Thank you for your Funding Year 2005 E-rate application and for any assistance you provided throughout our review. Here is the current status of the funding request(s) featured in the Funding Commitment Report at the end of this letter.

- The amount, \$54,568.02 is "Approved."
- The amount, \$117,238.68 is "Denied."

Please refer to the Funding Commitment Report on the page following this letter for specific funding request decisions and explanations.

The Important Reminders and Deadlines immediately preceding this letter are provided to assist you throughout the application process.

NEXT STEPS

- Work with your service provider to determine if you will receive discounted bills or if you will request reimbursement from USAC after paying your bills in full
- Review technology planning approval requirements
- Review CIPA Requirements
- File Form 486
- Invoice the SLD using the Form 474 (service provider) or Form 472 (Billed Entity) - as products and services are being delivered and billed

FUNDING COMMITMENT REPORT

On the pages following this letter, we have provided a Funding Commitment Report for the Form 471 application cited above. The enclosed report includes a list of the Funding Request Number(s) (FRNs) from your application. The SLD is also sending this information to your service provider(s) so preparations can be made to begin implementing your E-rate discount(s) after you file your Form 486. Immediately preceding the Funding Commitment Report, you will find a guide that provides a definition for each line of the Report.

TO APPEAL THIS DECISION:

If you wish to appeal a decision in this letter, your appeal must be received by the SLD or postmarked within 60 days of the date of this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. In your letter of appeal:

1. Include the name, address, telephone number, fax number, and (if available) e-mail address for the person who can most readily discuss this appeal with us.
2. State outright that your letter is an appeal. Include the following to identify the letter and the decision you are appealing:
 - Appellant name,

FUNDING COMMITMENT REPORT
Billed Entity Name: NORTH PENN SCHOOL DISTRICT
BEN: 126228
Funding Year: 2005

Form 471 Application Number: 468663
Funding Request Number: 1291084
Funding Status: Not Funded
Category of Service: Internet Access
Form 470 Application Number: 411170000
SPIN: 143003990
Service Provider Name: Comcast Business Communications
Contract Number: PA-15011-092904-01
Billing Account Number: N/A
Service Start Date: 07/01/2005
Contract Expiration Date: 11/30/2007
Number of Months Recurring Service Provided in Funding Year: 12
Annual Pre-discount Amount for Eligible Recurring Charges: \$44,400.00
Annual Pre-discount Amount for Eligible Non-recurring Charges: \$.00
Pre-discount Amount: \$44,400.00
Discount Percentage Approved by the SLD: N/A
Funding Commitment Decision: \$0.00 - Program Rule Violations
Funding Commitment Decision Explanation: This funding request is denied as a result of the program rule violations. Applicant was not able to provide required Internet Access Statement. Modified Internet Access statement is unacceptable.

FCDL Date: 01/10/2006
Wave Number: 029

Funding Request Number: 1306188
Funding Status: Not Funded
Category of Service: Internet Access
Form 470 Application Number: 663190000
SPIN: 143026071
Service Provider Name: DES Communications
Contract Number: N/A
Billing Account Number: N/A
Service Start Date: 07/01/2005
Contract Expiration Date: 06/30/2010
Number of Months Recurring Service Provided in Funding Year: 12
Annual Pre-discount Amount for Eligible Recurring Charges: \$241,548.00
Annual Pre-discount Amount for Eligible Non-recurring Charges: \$.00
Pre-discount Amount: \$241,548.00
Discount Percentage Approved by the SLD: N/A
Funding Commitment Decision: \$0.00 - Program Rule Violations
Funding Commitment Decision Explanation: This funding request is denied as a result of the program rule violations. Applicant was not able to provide required Internet Access Statement. Modified Internet Access statement is unacceptable.

FCDL Date: 01/10/2006
Wave Number: 029

Exhibit B

North Penn Appeal to SLD



January 31, 2006

LETTER OF APPEAL

Schools and Libraries Division
Box 125 – Correspondence Unit
80 South Jefferson Road
Whippany, NJ 07981

FAX TRANSMISSION TO 973 599 6542

Billed Entity Name
Billed Entity Number (BEN)
Funding Request Number (FRN)
471 Application Number
Funding Year
Date of SLD Decision
Service Provider
Service Provider ID

North Penn School District
126228
1291084
468663
2005
January 10, 2006
Comcast Business Communications
143003990

Billed Entity Name
Billed Entity Number (BEN)
Funding Request Number (FRN)
471 Application Number
Funding Year
Date of SLD Decision
Service Provider
Service Provider ID

North Penn School District
126228
1306188
468663
2005
January 10, 2006
DES Communications
143026071

Name of Contact Person for Appeal
Address

Telephone Number
Fax Number
Email Address

Debra Kriete
1421 Round Hill Road
Harrisburg, PA 17110
717 232 0222
717 232 3705
dmkriete@comcast.net



Appeal of North Penn School District

The January 10, 2006 Funding Commitment Decisions Letter for Form 471 Application Number 468663, Funding Request Numbers (FRN) 1291094 and 1306188 denied funding for Internet Access Services to the Applicant, the North Penn School District (North Penn or District) on the basis that "This funding request is denied as a result of program rule violations. Applicant was not able to provide required Internet Access Statement. Modified Internet Access statement is unacceptable."

Reasons for Appeal: The Applicants Respectfully Contends That USAC-SLD Erred In Its Initial Review Of The FRNs.

- A. USAC Mistakenly Ignored And Should Have Accepted the Applicant's Cost Allocation to Remove Costs Associated with Remote Internet Access from the Funding Requests.**

Each FRN which was denied provides Internet Access Service to North Penn in order to connect each of the District's 18 schools and two non-instructional facility buildings (NIFs) to the Internet. DES Communications provides leased fiber transmission facilities to the District (FRN 1306188) while Comcast Business Communications provides the connectivity portal to the Internet and World Wide Web (FRN 143026071).

During the Program Integrity Analysis (PIA) review of these FRNs, the Applicant received the following information request for these two FRNs:

- **For FRN(s) 1291084 and 1306188 for Internet Access services, please provide a statement that the services will only be delivered to eligible users at eligible locations. The rules of this support mechanism do not allow for services or products to be provided to residential homes or other non-school/library facilities (i.e., students and teachers may not dial in from home to access the Internet; there can be no community access, etc). "Remote access" where users from any location use their own Internet account to access school or library information, is eligible for funding. If this funding request for Internet Access is strictly limited to services used only at eligible locations by eligible users, then please confirm in writing the following:**



"The Internet Access service for which I seek discounts will be strictly limited to providing services only at eligible locations and used only by eligible users. Access to the Internet will not be provided to homes or other non-school or non-library sites."

(Signed) _____

(Name) _____

(Title) _____

(Date) _____

The above statement must be signed and dated. If you are unable to make such a statement, because the statement is not correct, please indicate such.

In response to this request, the Applicant responded in two interrelated manners. First, after fully investigating the network configuration for which E-rate discounts were being requested, the Applicant determined that the network configuration includes District-owned equipment – for which E-rate funding was not requested or received – that enables some users to dial into the District's network and use the District's connection to the Internet. The District determined, therefore, that a cost allocation was required in order to reduce the funding requests by an amount commensurate with the use of the network for remote Internet Access. These cost allocations were implemented as part of the preparation of the District's Item 21 attachments for these two FRNs.

In conjunction with the cost allocation, the District modified the language of the Internet Access Certification to include the following highlighted and italicized language – which clearly was inserted in conjunction with the cost allocation to remove Remote Internet Access costs – in order to be able to truthfully make this Certification, as follows:

The Internet Access service for which I seek discounts *has been cost allocated so that the amounts requested for discounts* will be strictly limited to providing services only at eligible locations and used only by eligible users. This funding request will not support access to the Internet from homes or other non-school or non-library sites.

The District also explained in its October 11, 2005 Response to the PLA questions that:

The District cannot sign the remote access certification as it is worded because the District has a small number of users (approximately 5) who



occasionally dial into the District's WAN from remote locations. Therefore, the District has chosen to reduce a small portion of their funding requests for the two FRNs relating to the District's Internet Access (FRNs 1291084 and 1306188), as a cost allocation for this remote access usage. The cost allocation is based on the total number of Internet users in the District (employees and students) versus the number of remote access users. The calculations are as follows based on data reported on the District's NCLB Report Card.

Internet Users:	Employees	2,000
	Students	13,098
	Total Users	15,098
	Remote Internet Users	5

$\% \text{ remote users} = 0.00033 (5 / 15,098)$

The Item 21 attachments reflect a reduction in funding of:

0.00033 of one of the 17 DES fiber WAN connections that is used to transport the call from the school dialed into to the high school;

0.000333 of the Comcast Internet costs.

The specific calculations are reflected on the Item 21 attachments.

In addition, we revised the certification to reflect the fact that the District has performed a cost allocation, and the executed certification is being faxed to your attention.

PIA did not initiate any follow up questions in response to the Applicant's October 11, 2005 information response to the PIA questions. In the explanation of the reasons for denial of the two FRNs that are the subject of this appeal, no mention was made of the cost allocation performed by the District. Based on the explanation for the funding denial, it appears that SLD rejected the funding denials based on the modifications to the remote Internet Access Certification and did not consider the District's cost allocation.

The SLD erred in evaluating these FRNs because it failed to recognize and accept that a cost allocation to deduct the costs associated with remote Internet Access is a permissible



approach for complying with the program requirement that discounts be used to provide services to eligible locations. The SLD determined, incorrectly, that the use of the District's Internet access service from a remote location taints and invalidates the entire service and funding requests – even though the vast majority of the services (upwards of 99%) are provided to eligible entities and eligible locations. This result is erroneous, and the SLD should have reviewed and accepted the District's cost allocation calculations which reduced the funding requests to remove a proportionate amount of the costs associated with Remote Internet Access and should have rescinded the requirement to sign any form of the Remote Internet Access certification.

According to the FCC's Third Report and Order in CC Docket No. 02-6, whenever a funding request contains "mixed" eligible and ineligible components, a cost allocation is required in order to enable applicants to obtain E-rate funding for the eligible components of services and products:

Under these rules, if a product or service contains ineligible components, costs should be allocated to the extent that a clear delineation can be made between the eligible and ineligible components. The clear delineation must have a tangible basis and the price for the eligible portion must be the most cost-effective means of receiving the eligible service.

...

These cost allocation rules address the widespread availability of products and services with mixed eligibility and are fully consistent with the overriding requirement that support be provided for eligible services, while preventing support for ineligible services. By providing service providers and applicants a means of allocating costs between eligible and ineligible components, features or functions of what would otherwise be an eligible service, the cost allocation method increases the variety of service options available to schools and libraries, improving each school or library's ability to purchase the most useful and cost-effective service possible. Without this cost allocation approach, applicants may fail to pursue the purchase of certain advanced telecommunications and information services, contrary to the intent of section 254. Our E-rate rules should not drive the development of communications services and technologies, but rather should permit the marketplace to flourish and innovate in ways that meet consumer needs and facilitate access to these innovations. Schools and libraries should continue to allocate eligible and



ineligible costs in their contracts with service providers. In the interests of ensuring that support be provided only for eligible services, the Administrator also should continue to employ the use of the cost allocation method when necessary.

Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, FCC 03-323 (Order Released December 23, 2003) at ¶¶ 37, 38 (footnotes omitted). *See also* 47 C.F.R. §54.504(g).

The SLD's web site guidance regarding cost allocations which governed the FY 2005 period, which was the basis for the FCC adoption of the cost allocation rule, explicitly addresses the issue of cost allocations in the context of services or equipment that serves both eligible and ineligible locations:

G. Eligible Locations

Q1. If a PBX is to be used for 25 classrooms and 30 extensions, and one extension is used for an ineligible pre-kindergarten classroom rather than K-12, is the entire PBX eligible for discount?

Products or services provided to both eligible and ineligible locations must be cost-allocated in the same way that is described in Cost Allocation Guidelines for Consortia Comprising Eligible and Ineligible Entities posted in the Reference Area of this web site. For the example given, one of the classrooms is not eligible because it is used for prekindergarten rather than K-12. The cost of the PBX must be reduced by 1/30 in order to subtract the ineligible location.

A copy of this FAQ from SLD's web site is attached as Exhibit 1.

The District used a cost allocation methodology to remove the costs associated with Remote Internet Access based on the number of users who use the District's Internet connection from eligible locations and the number of users who use the District's Internet connection from ineligible locations to develop a percentage to attribute to remote Internet access. The explanation of this methodology was clearly articulated, as re-printed above. The methodology



resulted in a modest reduction of costs for each FRN, the percentage of which fell well below the 30% ineligibility rule. 47 C.F.R. §54.501(c)(1).¹

B. USAC Was Obligated to Communicate Further with the Applicant Regarding the Modified Remote Internet Access Certification and the Cost Allocation Before Making a Decision on The Two FRNs at Issue.

The SLD's instructions accompanying the Remote Internet Access Certification request left the impression with the Applicant that the Applicant could modify the language of the certification. This impression was based on the language that accompanied the Certification, as follows:

The above statement must be signed and dated. If you are unable to make **such a statement**, because the statement is not correct, please indicate such. (emphasis added).

The words "such a statement" used in this context definitely leaves open the possibility that the precise language of the Certification was not a prerequisite, but rather, a statement that conveyed the gist of the language of the Certification was acceptable. Indeed, the modification that the Applicant made to the Certification was designed to reflect the fact that a cost allocation had been made to deduct the costs associated with Remote Internet Access. There was no indication either prior or subsequent to the Applicant's submission of the modified certification that a modification to the certification was impermissible and would constitute grounds for denial of the FRNs. There also was no further communication with the Applicant concerning the cost allocation methodology that the Applicant used to compute the reductions to the FRNs associated with Remote Internet Access. If the cost allocation methodology was not viewed as acceptable, the SLD was obliged to follow up with the Applicant to request further information to insure that the Applicant's calculations met SLD's criteria, so that the SLD could then determine whether the Applicant complied with the 30% ineligibility rule.

¹ The FCC has made clear that in the Third Report and Order that the cost allocation rule shall be viewed in conjunction with the 30% rule. Third Report and Order at ¶38. In point of fact, the amount of Internet access service that the District leased from both vendors on these two FRNs was the same cost, with or without the use of Remote Internet Access. The amount of Remote Internet Access is clearly incidental in light of the number of users that use Remote Internet Access and the vast majority of the users who use the Internet connection when located in the premises of an eligible school building.



Fayette County School District Appeal, Request for Review of the Decision of the Universal Service Administrator, File No. SLD-338605, CC Docket No. 02-6, DA 05-2176 (Order Released July 28, 2005). In the Fayette County Appeal Decision, the FCC stated that the SLD is obliged to communicate clearly its information requests to applicants and to follow up with applicants and request further clarification to insure that the SLD has sufficient information in order to evaluate the eligibility of a funding request.

In this case, the SLD's instructions for the Remote Internet Access certification were ambiguous because of the phrase "such a statement" when the SLD apparently intended to say "this specific statement." When the District submitted a modified certification, the SLD should have further communicated to the Applicant that such a certification was unacceptable, and that the Applicant either had to certify to the precise wording of the certification issued by the SLD or provide an explanation why they were unable to sign the SLD version of the certification. Had this communication occurred, the Applicant would have withdrawn the modified Certification and clearly explained that the cost allocation calculation was offered in place of signing the certification. Alternatively, the Applicant would have signed the exactly worded Certification required by SLD and when construed with the cost allocation, the Certification would have been true since the cost allocation assured that the funding requests did not include any costs associated with Remote Internet Access.

C. The White Sulphur Springs Appeal Decision Has No Relevance to The Current Appeal Because No E-rate Funding Was Requested or Received to Pay for the Modem Equipment Located on the Applicant's Premises Which is Used To Enable Remote Internet Access.

The District wants to be absolutely certain that the SLD is aware that E-rate funding has never been requested or received to fund the purchase of the modems that the District has in place which enable remote Internet Access capability. This situation, therefore, is different from and distinguishable from the White Sulphur Springs Appeal decision.² In that case, the applicant appealed the denial of internal connections funding for a server which contained remote access capability, after confirming that the applicant had no intention of using such functionality. In response the SLD published web site guidance which eventually was incorporated into the Eligible Services List, which explained that servers with remote access capability were eligible

² White Sulphur Springs School District Request for Review of the Decision of the Universal Service Administrator, File No. SLD-82064, CC Docket No. 96-45, DA 99-2537 (Order Released November 16, 1999).



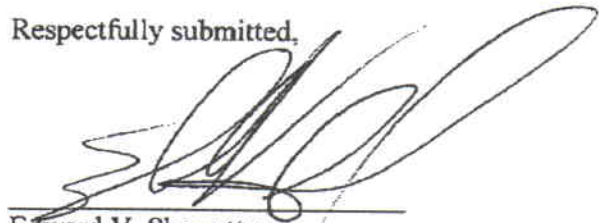
for funding provided that the applicant signed a certification that stated that the applicant would not use the remote access capability of the server.

Since it is possible that the SLD incorrectly assumed that the funding requests contained costs for equipment (such as leased on premises equipment) and/or services for Remote Internet Access, the District wanted to bring these clarifications to the SLD's attention, in order to insure that the accurate facts are clearly set forth to the SLD. PIA did not request any clarification or pose any information requests to the Applicant during review of these FRNs that touched on this point.

Conclusion

For all of these reasons, the North Penn School District respectfully requests the SLD to rescind the funding denials for FRNs 1291084 and 1306188, and approve funding in full for these FRNs consistent with the District's Item 21 attachments.

Respectfully submitted,



Edward V. Sherretta
Manager of Technology
North Penn School District
Educational Service Center
401 Hancock Street
Lansdale, PA 19446

Exhibit 1

SLD Web Site Page

FAQ—Eligible Locations

**Overview**

About the SLD

Training & Outreach

2005 Training

WebEx Recordings

Training Presentations

Submit a Question

Site Visits

Applicants

Process Flowchart

Timetable/Deadlines

Audits

Service Providers

Conference Calls

Provider Manual

Invoicing

Disbursements

Audits

Tools

Commitments Search

Data Requests

Form 471 Application
Status

Billed Entity Search

SPIN Search

FRN Extensions

Eligible Products
Database

Forms

Applicants PIN Request
System

Apply Online

Applicant Forms

Provider Forms

SL Main > Reference Area > Frequently Asked Questions about Eligibility of Products and Services

G. Eligible Locations

Q1. If a PBX is to be used for 25 classrooms and 30 extensions, and one extension is used for an ineligible pre-kindergarten classroom rather than K-12, is the entire PBX eligible for discount?

Products or services provided to both eligible and ineligible locations must be cost-allocated in the same way that is described in Cost Allocation Guidelines for Consortia Comprising Eligible and Ineligible Entities posted in the Reference Area of this web site. For the example given, one of the classrooms is not eligible because it is used for pre-kindergarten rather than K-12. The cost of the PBX must be reduced by 1/30 in order to subtract the ineligible location.

Content Last Modified: February 13, 2004

**QUICK LINKS**

► **Apply Online**

- Reference Area
- Appeals
- Eligible Services List
- Changes & Corrections
- Suspensions & Debarments
- Site Visits

SITE SEARCH

Search Tips

CONTACT INFO

► **Submit a Question**

- Contact Us
- Whistleblower Hotline - Report Waste, Fraud, & Abuse

SITE HELP

- Site Map
- Site Tour
- Website Policy

Exhibit C

SLD Appeal Decision dated February 28, 2006



Universal Service Administrative Company
Schools & Libraries Division

Administrator's Decision on Appeal – Funding Year 2005-2006

February 28, 2006

Debra Kriete
North Penn School District
401 East Hancock Street
Lansdale, PA 19446-3960

Re: Applicant Name: NORTH PENN SCHOOL DISTRICT
Billed Entity Number: 126228
Form 471 Application Number: 468663
Funding Request Number(s): 1291084, 1306188
Your Correspondence Dated: January 31, 2006

After thorough review and investigation of all relevant facts, the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC) has made its decision in regard to your appeal of SLD's Funding Year 2005 Funding Commitment Decision Letter for the Application Number indicated above. This letter explains the basis of SLD's decision. The date of this letter begins the 60-day time period for appealing this decision to the Federal Communications Commission (FCC). If your Letter of Appeal included more than one Application Number, please note that you will receive a separate letter for each application.

Funding Request Number(s): 1291084, 1306188
Decision on Appeal: **Denied**
Explanation:

- You state in your appeal that USAC mistakenly ignored and should have accepted your cost allocation to remove the cost associated with remote internet access from the funding requests.
- Upon review of your appeal letter and the relevant supporting documentation, it was determined that for FRN(s) 1291084 and 1306188, you modified the Internet Access Certification statement which is a violation of program rules. It is the applicant's ultimate responsibility to ensure the accuracy of the information submitted during the application process.

If your appeal has been approved, but funding has been reduced or denied, you may appeal these decisions to either the SLD or the FCC. For appeals that have been denied

in full, partially approved, dismissed, or canceled, you may file an appeal with the FCC. You should refer to CC Docket No. 02-6 on the first page of your appeal to the FCC. Your appeal must be received or postmarked within 60 days of the date on this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. If you are submitting your appeal via United States Postal Service, send to: FCC, Office of the Secretary, 445 12th Street SW, Washington, DC 20554. Further information and options for filing an appeal directly with the FCC can be found in the "Appeals Procedure" posted in the Reference Area of the SLD web site or by contacting the Client Service Bureau. We strongly recommend that you use the electronic filing options.

We thank you for your continued support, patience and cooperation during the appeal process.

Schools and Libraries Division
Universal Service Administrative Company

Exhibit D

Item 21 Attachments for FRNs
10291084 and 1306188

Entity Name	North Penn School District	Form 471 #	468663
Entity Number	126228	Applicant Form ID	FY 2005-1
Contact Person	Debra Kriete	Phone #	717 232 0222

Attachment #	1-NPSD-Comcast	
FRN #	1291084	
Service Description	Internet Access Service	
Service Provider	Comcast Business Communications, Inc.	
Documentation:	X	Contract – Applicable pages
		Sample bill summary – for Tariff or MTM Services
		State Master Contract Quote
		Proposal for new service from Service Provider
		On-Premise Priority 1 Equipment Certification
		Memo Explanation
Total # pages incl. this page	5	

NOTES:

Comcast Business Solutions, Inc. and the District entered into a contract after the District posted a Form 470 in September of 2004. The base monthly charge is \$3,250, plus taxes and surcharges of \$80.50 for a total monthly prediscount amount of \$3,330.50. Since the contract was established following the posting of a Form 470 and on or after the Allowable Contract Date, the charges which will be incurred during FY 2005 are eligible for E-rate discounts.

Please note that the nonrecurring charge of \$3,000 was paid prior to the beginning of FY 2005, and is not included in the calculation of this FRN.

Attached is a monthly invoice from Comcast that documents the surcharges and fees that the District is required to pay in addition to the monthly base price of \$3,250.

The monthly prediscount amount of \$3,330.50 is being reduced by 0.033%, or \$1.09 for a cost allocation of the portion of Internet access costs used by remote users.

The cost allocation is based on the total number of Internet users in the District (employees and students) versus the number of remote access users.

Internet Users:	Employees	2,000
	Students	13,098
	Total Users	15,098
	Remote Internet Users	5
	% remote users =	0.00033 (5 / 15,098)

$0.00033 \times \$3,300.50 = \1.09 reduction to monthly prediscount price.

The revised monthly prediscount price of this FRN is \$3,299.41 computed as follows:

\$3,250.00	monthly base price
\$ 80.50	taxes and surcharges
<u>(\$ 1.09)</u>	Reduction for remote usage
\$3,329.41	Monthly Prediscount Price
\$39,952.92	Annual Prediscount Price
<u>x 41%</u>	E-rate Discount
\$16,380.70	Revised Funding Commitment Request

This FRN should be reduced by \$1,823.30.

Comcast Business Communications, Inc. Network Services Agreement

This agreement is made on the 29th day of September, 2004 by and between Comcast Business Communications, Inc. ("Company"), a Pennsylvania corporation, with offices located at 1500 Market Street, Philadelphia, PA 19102 and North Penn School District ("Customer"), with offices located at 401 East Hancock Street Lansdale, PA 19446.

Herein, the above shall be collectively referred to as the "Parties" and individually as "Party".

Description of Services to be provided by Company to Customer:

Company under the name of Comcast Business Communications, Inc. (SPIN # 143003990) shall provide Enterprise Internet Service at 20 mbps to the Customer in accordance with the Proposal dated August 31, 2004, which Proposal shall be made part of this Agreement. To the extent that the Proposal differs from the Terms of this Network Services Agreement, the Proposal shall prevail including but not limited to Company's agreement to provide discounted bills to Customer and to invoice the E-rate Administrator for the balance of the monthly invoices. Company shall provide Internet bandwidth for the Customer at their main data center. This Service shall be delivered via an optical circuit solution handing off of an RJ-45 connection at the Customer location.

Customer is a non-profit, tax-exempt governmental entity in the state of Pennsylvania

Term of Agreement (months): Thirty-Six (36)

Agreement Number: PA-15011-092904-01

Non-Recurring Charges: \$3,000.00

Monthly Recurring Charges: \$3,250.00

Any Additional Charges/Explanation: None

Number of Sites: One (1)

Estimated Service Date: December 1, 2004

Notes / Comments:

- 1.) E-Rate Funding to be sought by Customer.
- 2.) Modifications made to the Terms and Conditions of this Network Services Agreement are specified in the attached "First Rider".

Sales Person: Eric Wanzer

Telephone Number: (484) 530-5511

General Manager: George Cottman

Telephone Number: (856) 638-4040


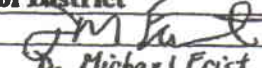
Customer Contact: Ed Sherretta

Telephone Number: (215) 368-0400

As indicated by the signatures below, both Parties agree to and accept the terms and conditions of this Agreement as set forth in the following pages:

Comcast Business Communications, Inc.

North Penn School District

Signature:		Signature:	
Printed Name:	Eric Wanzer	Printed Name:	D. Michael Frist
Title:	Senior VP	Title:	Director of Business Administration
Date:	10/4/04	Date:	9/29/04

Comcast Business Communications, Inc.
CONFIDENTIAL and PROPRIETARY

SCHEDULE A BUILDINGS, SERVICES AND PRICING

Date: 8/23/2009

Short Description of Service: 20 Mbps Enterprise Internet Service

Term: 12 MONTHS

DATA NETWORK SERVICES - PAGE 1

Line	Service Element	Rate	Location A*	Location B*	Translocation	Qty	MRC	Unit Pricing	NRC	Extended Pricing	MRC	NRC
001						0						
002						0						
003						0						
004						0						
005	Internal Access Network Interface	1 (per port)				0						
006	Internal Access Bandwidth	20 Mbps	North Penn High School	Conestoga Lower Merion	INTERSTATE	1	\$1,500	\$1,500	\$3,000	\$4,500	\$4,500	\$3,000
007						1	\$2,750	\$2,750	\$0	\$2,750	\$0	\$0
008						1	\$0	\$0	\$0	\$0	\$0	\$0
009						1	\$0	\$0	\$0	\$0	\$0	\$0
010						1	\$0	\$0	\$0	\$0	\$0	\$0
011						1	\$0	\$0	\$0	\$0	\$0	\$0
012						1	\$0	\$0	\$0	\$0	\$0	\$0
013						1	\$0	\$0	\$0	\$0	\$0	\$0
014						1	\$0	\$0	\$0	\$0	\$0	\$0
015						1	\$0	\$0	\$0	\$0	\$0	\$0
016						1	\$0	\$0	\$0	\$0	\$0	\$0
017						1	\$0	\$0	\$0	\$0	\$0	\$0
018						1	\$0	\$0	\$0	\$0	\$0	\$0
019						1	\$0	\$0	\$0	\$0	\$0	\$0
020						1	\$0	\$0	\$0	\$0	\$0	\$0
021						1	\$0	\$0	\$0	\$0	\$0	\$0
022						1	\$0	\$0	\$0	\$0	\$0	\$0
023						1	\$0	\$0	\$0	\$0	\$0	\$0
024						1	\$0	\$0	\$0	\$0	\$0	\$0
025						1	\$0	\$0	\$0	\$0	\$0	\$0
026						1	\$0	\$0	\$0	\$0	\$0	\$0
027						1	\$0	\$0	\$0	\$0	\$0	\$0
028						1	\$0	\$0	\$0	\$0	\$0	\$0
029						1	\$0	\$0	\$0	\$0	\$0	\$0
030						1	\$0	\$0	\$0	\$0	\$0	\$0
031						1	\$0	\$0	\$0	\$0	\$0	\$0
032						1	\$0	\$0	\$0	\$0	\$0	\$0
033						1	\$0	\$0	\$0	\$0	\$0	\$0
034						1	\$0	\$0	\$0	\$0	\$0	\$0
035						1	\$0	\$0	\$0	\$0	\$0	\$0

* Building Location Detail Attached

ACCOUNT REPRESENTATIVE
Eric Warner

SALES ENGINEER
Paul Sarno

CUSTOMER NAME

SIGNATURE

PRINTED NAME

TITLE

DATE

Director of Business Administration
9/29/09

PAGE 1 DATA NETWORK SERVICES SUBTOTAL:
PAGE 2 DATA NETWORK SERVICES SUBTOTAL:
PAGE 3 DATA NETWORK SERVICES SUBTOTAL:
ADDITIONAL CUSTOM INSTALLATION CHARGES:

\$3,250 \$3,000
\$0 \$0
\$0 \$0
\$0 \$0

TOTAL MONTHLY RECURRING CHARGES:

\$3,250.00

TOTAL NONRECURRING CHARGES:

\$3,000.00



Account Number
907084363

Invoice Number
8146300

Bill Date
May 15, 2005

Customer Service
1-888-262-7300

Previous Balance	Payments	Adjustments	Past Due Amount	Current Amount	Total Amount Due
12,388.62	12,388.62	0.00	0.00	3,330.50	\$ 3,330.50

Payment Due Date
Jun 15, 2005

Late Payment Charge
\$ 0.00

North Penn School District
401 East Hancock Street
Lansdale, PA 19446

SUMMARY OF CHARGES AND CREDITS (for period from Apr 15, 2005 to May 14, 2005)

Recurring Charges
Total Customer Charges
Total Taxes and Surcharges

Current Amount
Past Due Amount
Total Amount Due

3,250.00
3,250.00
80.50
3,330.50
0.00
\$ 3,330.50

[Handwritten signature]
5/24/05

NORTH PENN SCHOOL DISTRICT
MAY 25 2005
PURCHASING/PAYABLES

Entity Name	North Penn School District	Form 471 #	468663
Entity Number	126228	Applicant Form ID	FY2005-1
Contact Person	Debra Kriete	Phone #	717 232 0222

Attachment #	2-NPSD-WAN	
FRN #	1306188	
Service Description	Internet Access	
Service Provider	DES Communications, Inc.	
Documentation:	X	Contract – Applicable pages
		Sample bill summary – for Tariff or MTM Services
		State Master Contract Quote
		Proposal for new service from Service Provider
	X	On-Premise Priority 1 Equipment Certification
	X	Memo Explanation
Total # Pages incl. this page	12	

NOTES:

Please see attached memo, certification and applicable contract pages. In addition, please note that the District has performed a cost allocation to reduce the FRN for the costs associated with remote Internet access. The cost allocation is based on the total number of Internet users in the District (employees and students) versus the number of remote access users.

Internet Users:	Employees	2,000
	Students	13,098
	Total Users	15,098
	Remote Internet Users	5
	% remote users =	0.00033 (5 / 15,098)

Only one of the 17 fiber connections is used by remote users to access the Internet. Remote users dial into a connection located at one school; and the call is routed from the school to the High School over one fiber WAN connection. Accordingly, the cost allocation should be

applied to 1/17 of the WAN costs (the District has 17 sites connected on the WAN). The calculation is:

$$0.00033 \times (1/17 \times \$20,129) = 0.39 \text{ per month reduction.}$$

The revised calculation for this FRN is:

$\$20,129 - \$0.39 = \$20,128.61 \times 12 \text{ months} \times 41\% \text{ E-rate discount} = \$99,032.76$, which is a reduction of \$1.92 for this FRN.

Leased Wide Area Network Service for Internet Access

North Penn School District Entity # 126228

The District issued a Request for Proposal for Wide Area Network Services and posted a Form 470 (#663190000502113) on September 20, 2004, with Proposals due on October 20, 2004 (the 470 ACD). The District's centralized network equipment is located at its high school, and the network connects to 18 other school buildings (elementary and middle schools, and its district offices situated at the Educational Service Center). The current network bandwidth capacity relies on 23 T1 connections which are bundled into a multi-channel DS3 all of which are connected and distributed through a Layer 3 switch at the High School. This capacity is no longer sufficient to meet the District's ever expanding communications access needs.

The RFP sought pricing for various bandwidth options, because the District anticipated that its bandwidth needs will continue to steadily increase over time, as more applications and data is accessed through and transmitted through the World Wide Web and the Internet. Specifically, the District sought pricing for 10 Mbps, 45 Mbps and 1 Gbps transmission speeds.

The District advised prospective bidders that the selection of the successful bidder would be done according to the "most cost-effective" bid as that term is define under E-rate rules. The District also specifically advised prospective bidders that any E-rate ineligible services and/or equipment was required to be itemized separately in bidders' proposals.

As noted on Item 13 of the establishing Form 470, the RFP requested pricing proposals for a minimum period of no less than five (5) years, and advised proposers that they may request a longer initial contact term. Pricing for three (3) one year voluntary extensions was also requested.

DES Communications, Inc. timely submitted a proposal to provide 1 Gbps connectivity to each of the District's site and locations specified in the RFP. After reviewing each proposal, the District determined that DES's proposal constituted the most cost effective bid, as it was completely responsive to the RFP specifications and it offered the lowest price solution. DES's proposal provides for an initial term of five (5) years, with annual renewal options. Please note that the District decided not to have the wide area network extended to the District's Alternative elementary school location, and the costs of the contract do not include service to this location.

In accordance with E-rate rules, the contract between the parties was signed on December 10, 2004. The contract specifies that the service shall be installed and operational as of July 1, 2005. There are no up-front nonrecurring charges. North Penn SD is required to make monthly payments of \$20,129 for a total of \$241,548 annually.

On Premises-Priority 1 Equipment

The lease includes some on-premises priority 1 equipment which is itemized in Exhibit C to the contract, and the pertinent pages are attached. The leased equipment includes Omnitron 8527-x iConverter GX/T units, which are Fiber Managed Media Converters; Omnitron 8240-1 single slot chassis units and Alpha ALI Plus T700 UPS units. As the contract states on page 25 (copy attached), the District has no ownership interest, and no exclusive right to use any of the DES facilities used to provide service to the District, including the DES-owned equipment located at the District's premises.

The District has prepared the attached Certification to confirm that the FCC rules governing on-premises priority 1 equipment has been met.

Evaluation of the Applicant Ownership Prohibition

Please note that section 33(f) on page 25 (signature page of the contract which is attached) clearly states that the District has no ownership interest in the equipment and also that the District does not have exclusive use of these facilities.

There is no up-front payment of nonrecurring charges required to be made by the District.

The contract does not contain an option for the District to purchase the facilities being used by DES to provide service to the District.

Amortization of Capital Investment Costs

Not applicable because there are no upfront costs that the District is required to pay.

**Leased Wide Area Network Service for Internet Access
North Penn School District
Entity # 126228**

On-Premises Priority 1 Certification

I, Edward V. Sherretta, make the following certification on behalf of the North Penn School District. I am the Manager of Technology and am authorized to make this certification:

1. The on-premises Priority 1 equipment that the North Penn School District is leasing from DES Communications, Inc. is set forth in Exhibit C to the Contract between the parties.
2. DES Communications, Inc. will provide the on-premises Priority 1 equipment and provide the underlying leased wide area network service to the District, and ownership of the equipment will not transfer to the District in the future.
3. The parties' Contract does not include an option for the District to purchase the equipment.
4. The District has no contractual right to exclusive use of the equipment.
5. The District did not incur any up-front, non-recurring charges for this service.
6. The equipment will not be used by the District for any purpose other than receipt of the eligible Telecommunications Services or Internet Access of which it is a part.
7. The District's Local Area Network for data communications of the school or library is functional without dependence on the equipment.
8. Responsibility for maintaining the equipment will rest with DES Communications, Inc., the service provider, and not with the District.


Edward V. Sherretta


Dated

IRREVOCABLE RIGHTS LEASE AGREEMENT

THIS INDEFEASIBLE RIGHT OF USE LEASE AGREEMENT (hereinafter referred to as either the "IRU AGREEMENT" or the "Agreement") is made and entered into as of December 10, 2004, by and between DES Communications, Inc., a Pennsylvania corporation ("DES"), and the NORTH PENN SCHOOL DISTRICT ("NORTH PENN SD").

RECITALS

A. DES is planning to construct a telecommunications transport network, contiguous from end to end, as described in Exhibit A hereto, and between each of the buildings and places identified in Exhibit A hereto (the transport network between each such building being referred to as a "Segment"), being referred to herein collectively as the "DES System".

DES Communications, Inc. (SPIN # 143026071) shall provide Gigabit Ethernet services to NORTH PENN SD in accordance to the proposal dated October 20, 2004, which Proposal shall be, made part of this Agreement. To the extent that the proposal differs from the terms of this Network Service Agreement, the Proposal shall prevail.

DES shall provide bandwidth for NORTH PENN the Data Center (High School). This service shall be delivered via an optical circuit solution handing off to an RJ-45 connection at the NORTH PENN SD locations.

B. NORTH PENN SD desires to be granted the right to use certain Segments in the DES System.

C. DES desires to grant NORTH PENN SD an, indefeasible right to use certain Segments and associated property in the DES System, all upon the terms and conditions set forth below.

Accordingly, in consideration of the mutual promises set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I. GRANT OF IRU IN DES SYSTEM

1.1 (a) Effective as of the effective date described in Section 6.1 below, for each particular Segment delivered by DES to NORTH PENN SD and with respect to which an Acceptance Date (as defined in Section 4.2 below) has occurred, DES hereby grants to, and NORTH PENN SD hereby leases from DES, (i) an Indefeasible Right of Use (as defined in Section 33.1(f), for the purposes described herein, Segments" (as defined in Section 33.1(c)), to be specifically identified, in the DES System in the Segments and more specifically described in the maps included in Exhibit A hereto and (ii) an associated and non-exclusive Indefeasible Right of Use, for the purposes described herein, in the tangible and intangible property needed for the use of such Segments including, but not limited to, the associated conduit, and of DES's rights in all "Underlying Rights" (as defined in Section 10.1), but in any event excluding any electronic or

under Section 4.2 with respect to such Segment.

(e) "Impositions" shall include but shall not be limited to sales and use taxes, public utility gross receipts tax, and any other federal, state or local taxes that are imposed upon DES as a consequence of the this Agreement. The amount due by NORTH PENN SD under the terms of this provisions shall be limited to amounts due as consequence of this agreement.

→ (f) "Indefeasible Right of Use" or "IRU" means (i) an indefeasible right of use, for the purposes described herein, in the NORTH PENN SD Segments, as granted in Article II, and (ii) an associated non-exclusive, indefeasible right of use, for the purposes described herein, in the Associated Property; provided that the IRUs granted hereunder do not provide NORTH PENN SD with any ownership interest in or other rights to physical access to, control of, modification of, encumbrance in any manner of, or other use of the DES System except as expressly set forth herein. ←

(g) This item left blank intentionally.

(h) "POP" means the NORTH PENN SD point of presence at locations along the DES System route.

(i) "PSWP" means Planned System Work Period, which is a prearranged period of time reserved for performing certain work on the DES System that may potentially impact traffic. Generally, this will be restricted to weekends, avoiding the first and last weekend of each month and high-traffic weekends.

(j) "DES System" shall have the meaning ascribed thereto in Recital A.

(k) When used herein in connection with a covenant of a party to this Agreement "best efforts" shall not obligate such party, unless otherwise specifically required by the operative covenant, to make unreimbursed expenditures (other than costs or expenditures that would have been required of such party in the absence of the requirements of such covenant) that are material in amount, in light of the circumstances to which the requirement to use best efforts applies. In confirmation of their consent and agreement to the terms and conditions contained in this IRU Agreement and intending to be legally bound hereby, the parties have executed this IRU Agreement as of the date first above written.

DES COMMUNICATIONS, INC,

By:/s/

Name: Kevin J Rafferty

Title: President

NORTH PENN SD SCHOOL DISTRICT

By:/s/

Name:

Title:

**D. Michael Frist
Board Secretary**



Communications, Inc.

Technology at Work

Exhibit A

North Penn School District Building List

School Name	School Street Address	Zip Code
Pennbrook MS	1201 East Walnut Street	19454
Montgomery Elementary School	1221 Stump Rd	19454
Inglewood Elementary School	1313 Allentown Road	19446
North Penn SHS	1340 S Valley Forge Rd	19446
Gwyn-Nor Elementary School	139 Hancock Road	19454
General Nash Elementary School	1560 Liberty Bell Dr	19438
Walton Farm Elementary School	1610 Allentown Rd	19446
Gwynedd Square Elementary School	1641 Supplee Rd	19446
Hatfield Elementary School	1701 Fairgrounds Road	19440
Bridle Path Elementary School	200 Bridle Path Rd	19446
North Wales Elementary School	201 Summit St	19454
Pennedale Middle School	400 Penn St	19446
Oak Park Elementary School	500 Squirrel Ln	19446
Knapp Elementary School	698 Knapp Road	19446
York Avenue Elementary School	700 York Ave	19446
Pennfield Elementary School	726 Forty Foot Rd	19440
Kulp Elementary School	801 Cowpath Rd	19440
Educational Service Center	401 E. Hancock Street,	19446

Exhibit B



DES Communications 20 Year Leasing Schedule

Confidential

Years 1 thru 5				Years 6 thru 10			
Month	Construction Payment	Maintenance Payment		Month	Construction Payment	Maintenance Payment	
1	\$ 15,830	\$ + 4,299	= \$ 20,129 per month	61	\$ -	\$ 4,299	
2	\$ 15,830	\$ 4,299		62	\$ -	\$ 4,299	
3	\$ 15,830	\$ 4,299		63	\$ -	\$ 4,299	
4	\$ 15,830	\$ 4,299		64	\$ -	\$ 4,299	
5	\$ 15,830	\$ 4,299		65	\$ -	\$ 4,299	
6	\$ 15,830	\$ 4,299		66	\$ -	\$ 4,299	
7	\$ 15,830	\$ 4,299		67	\$ -	\$ 4,299	
8	\$ 15,830	\$ 4,299		68	\$ -	\$ 4,299	
9	\$ 15,830	\$ 4,299		69	\$ -	\$ 4,299	
10	\$ 15,830	\$ 4,299		70	\$ -	\$ 4,299	
11	\$ 15,830	\$ 4,299		71	\$ -	\$ 4,299	
12	\$ 15,830	\$ 4,299		72	\$ -	\$ 4,299	
13	\$ 15,830	\$ 4,299		73	\$ -	\$ 4,299	
14	\$ 15,830	\$ 4,299		74	\$ -	\$ 4,299	
15	\$ 15,830	\$ 4,299		75	\$ -	\$ 4,299	
16	\$ 15,830	\$ 4,299		76	\$ -	\$ 4,299	
17	\$ 15,830	\$ 4,299		77	\$ -	\$ 4,299	
18	\$ 15,830	\$ 4,299		78	\$ -	\$ 4,299	
19	\$ 15,830	\$ 4,299		79	\$ -	\$ 4,299	
20	\$ 15,830	\$ 4,299		80	\$ -	\$ 4,299	
21	\$ 15,830	\$ 4,299		81	\$ -	\$ 4,299	
22	\$ 15,830	\$ 4,299		82	\$ -	\$ 4,299	
23	\$ 15,830	\$ 4,299		83	\$ -	\$ 4,299	
24	\$ 15,830	\$ 4,299		84	\$ -	\$ 4,299	
25	\$ 15,830	\$ 4,299		85	\$ -	\$ 4,299	
26	\$ 15,830	\$ 4,299		86	\$ -	\$ 4,299	
27	\$ 15,830	\$ 4,299		87	\$ -	\$ 4,299	
28	\$ 15,830	\$ 4,299		88	\$ -	\$ 4,299	
29	\$ 15,830	\$ 4,299		89	\$ -	\$ 4,299	
30	\$ 15,830	\$ 4,299		90	\$ -	\$ 4,299	
31	\$ 15,830	\$ 4,299		91	\$ -	\$ 4,299	
32	\$ 15,830	\$ 4,299		92	\$ -	\$ 4,299	
33	\$ 15,830	\$ 4,299		93	\$ -	\$ 4,299	
34	\$ 15,830	\$ 4,299		94	\$ -	\$ 4,299	
35	\$ 15,830	\$ 4,299		95	\$ -	\$ 4,299	
36	\$ 15,830	\$ 4,299		96	\$ -	\$ 4,299	
37	\$ 15,830	\$ 4,299		97	\$ -	\$ 4,299	
38	\$ 15,830	\$ 4,299		98	\$ -	\$ 4,299	
39	\$ 15,830	\$ 4,299		99	\$ -	\$ 4,299	
40	\$ 15,830	\$ 4,299		100	\$ -	\$ 4,299	
41	\$ 15,830	\$ 4,299		101	\$ -	\$ 4,299	
42	\$ 15,830	\$ 4,299		102	\$ -	\$ 4,299	
43	\$ 15,830	\$ 4,299		103	\$ -	\$ 4,299	
44	\$ 15,830	\$ 4,299		104	\$ -	\$ 4,299	
45	\$ 15,830	\$ 4,299		105	\$ -	\$ 4,299	
46	\$ 15,830	\$ 4,299		106	\$ -	\$ 4,299	
47	\$ 15,830	\$ 4,299		107	\$ -	\$ 4,299	
48	\$ 15,830	\$ 4,299		108	\$ -	\$ 4,299	
49	\$ 15,830	\$ 4,299		109	\$ -	\$ 4,299	
50	\$ 15,830	\$ 4,299		110	\$ -	\$ 4,299	
51	\$ 15,830	\$ 4,299		111	\$ -	\$ 4,299	
52	\$ 15,830	\$ 4,299		112	\$ -	\$ 4,299	
53	\$ 15,830	\$ 4,299		113	\$ -	\$ 4,299	
54	\$ 15,830	\$ 4,299		114	\$ -	\$ 4,299	
55	\$ 15,830	\$ 4,299		115	\$ -	\$ 4,299	
56	\$ 15,830	\$ 4,299		116	\$ -	\$ 4,299	
57	\$ 15,830	\$ 4,299		117	\$ -	\$ 4,299	
58	\$ 15,830	\$ 4,299		118	\$ -	\$ 4,299	
59	\$ 15,830	\$ 4,299		119	\$ -	\$ 4,299	
60	\$ 15,830	\$ 4,299		120	\$ -	\$ 4,299	

Note:

Maintenance is subject to an annual cost of living increase



DES Communications 20 Year Leasing Schedule

Years 11 thru 15

Confidential

Years 16 thru 20

Month	Construction Payment	Maintenance Payment
121	\$ -	\$ 4,299
122	\$ -	\$ 4,299
123	\$ -	\$ 4,299
124	\$ -	\$ 4,299
125	\$ -	\$ 4,299
126	\$ -	\$ 4,299
127	\$ -	\$ 4,299
128	\$ -	\$ 4,299
129	\$ -	\$ 4,299
130	\$ -	\$ 4,299
131	\$ -	\$ 4,299
132	\$ -	\$ 4,299
133	\$ -	\$ 4,299
134	\$ -	\$ 4,299
135	\$ -	\$ 4,299
136	\$ -	\$ 4,299
137	\$ -	\$ 4,299
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148	\$ -	\$ 4,299
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176	\$ -	\$ 4,299
177	\$ -	\$ 4,299
178	\$ -	\$ 4,299
179	\$ -	\$ 4,299
180	\$ -	\$ 4,299

Month	Construction Payment	Maintenance Payment
181	\$ -	\$ 4,299
182	\$ -	\$ 4,299
183	\$ -	\$ 4,299
184	\$ -	\$ 4,299
185	\$ -	\$ 4,299
186	\$ -	\$ 4,299
187	\$ -	\$ 4,299
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196	\$ -	\$ 4,299
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234	\$ -	\$ 4,299
235	\$ -	\$ 4,299
236	\$ -	\$ 4,299
237	\$ -	\$ 4,299
238	\$ -	\$ 4,299
239	\$ -	\$ 4,299
240	\$ -	\$ 4,299

Note: Maintenance is subject to an annual cost of living increase
Maintenance is subject to an annual cost of living increase

DES Communications, Inc.

NPSD Wide Area Network Remote / Hub Hardware

"Exhibit C"

Remote Hardware	School	Hub Hardware
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Bridle Path ELEMENTARY SCHOOL	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Educational Service Center	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	General Nash ELEMENTARY SCHOOL	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Gwynedd Square ELEMENTARY SCHOOL	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Gwyn-Nor ELEMENTARY SCHOOL	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Hatfield ELEMENTARY SCHOOL	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Inglewood ELEMENTARY SCHOOL	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Knapp ELEMENTARY SCHOOL	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Kulp ELEMENTARY SCHOOL	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Montgomery ELEMENTARY SCHOOL	
	North Penn Senior High School	(17) Omnitron 8527-X iConverter GX/T (1) Omnitron 8200-3 18 slot chassis (1) Omnitron 8000-0 NMM card (1) Alpha ALI Plus T700 UPS
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	North Wales School ELEMENTARY SCHOOL	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Oak Park ELEMENTARY SCHOOL	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Pennbrook Middle School	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Penndale Middle School	

(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Pennfield ELEMENTARY SCHOOL	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	Walton Farm ELEMENTARY SCHOOL	
(1) Omnitron 8527-X iConverter GX/T (1) Omnitron 8240-1 single slot chassis (1) Alpha ALI Plus T700 UPS	York Avenue ELEMENTARY SCHOOL	

Exhibit E

**Applicant Response to SLD Program Integrity
Analysis Questions Regarding
Remote Internet Access**



Universal Service Administrative Company
Schools & Libraries Division

September 29, 2005

FROM: Debra Kriete
North Penn School District
1421 Round Hill Rd.
Harrisburg, PA. 17110

Re: E-Rate 471 Application # 468663

APPLICANT RESPONSE TO PIA QUESTIONS

The Program Integrity Assurance (PIA) team is in the process of reviewing all Form 471 Applications for schools and libraries discounts to ensure that they are in compliance with the rules of the Universal Service Support Mechanism. We are currently in the process of reviewing your Funding Year 2005 Form 471 Application. To complete our review, we need some additional information. The information needed to complete the review is listed below.

- **For entity 126228**, we do not have the associated FCC Registration Number (FCC RN). The FCC, in its' Fifth Report and Order, requires that, as of November 1, 2004, all entities that participate in the Schools and Libraries Support Mechanism must have an FCC Registration Number. This requirement applies to schools, libraries, non-instructional facilities, consortium leaders, service providers and consultants.

If you already have an FCC Registration Number for this entity, please provide that FCC Registration Number.

If you do not yet have an FCC Registration Number, you can obtain one by applying to the FCC, at <http://www.fcc.gov> . Click on link for CORES (Commission Registration System), or go directly at the FCC CORES registration site at <https://svartifoss2.fcc.gov/cores/CoresHome.html>.

Additional guidance on this topic and filing tips are located in the Reference area of our website, under "FCC Registration Numbers."

You will need your Taxpayer Identification Number (TIN) to obtain an FCC Registration Number. Many entities can have the same TIN (for example, individual schools in a school district). For some employers, including state and local government agencies and non-profit organizations, the TIN is the IRS-issued Employer Identification Number (EIN).

After obtaining the FCC Registration Number, please provide the FCC Registration Number to me directly.

Applicant Response: The FCC RN is 0003262805.

- **The SLD has not yet received the Item 21 Attachments for this application.** In order to process the Form 471, we must receive the Item 21 Attachments. If you are unsure what constitutes an Item 21 Attachment, please refer to the Form 471 Instructions available at: <http://www.sl.universalservice.org>

If you have not yet submitted the Item 21 Attachments please forward the Item 21 Attachments to our attention at the fax number indicated below, so we can begin to process the Form 471.

If you have already submitted the Item 21 Attachments, please fax an EXACT COPY of the Item 21 Attachments that were previously submitted. If you do not wish to resubmit the Item 21 Attachment, you are not required to do so. We will process your application once the Item 21 Attachments have been scanned into our system.

Applicant Response: The Item 21 attachments are being faxed to your attention.

- **For FRN(s) 1291084 and 1306188** for Internet Access services, please provide a statement that the services will only be delivered to eligible users at eligible locations. The rules of this support mechanism do not allow for services or products to be provided to residential homes or other non-school/library facilities (i.e., students and teachers may not dial in from home to access the Internet; there can be no community access, etc). "Remote access" where users from any location use their own Internet account to access school or library information, is eligible for funding. If this funding request for Internet Access is strictly limited to services used only at eligible locations by eligible users, then please confirm in writing the following:

"The Internet Access service for which I seek discounts will be strictly limited to providing services only at eligible locations and used only by eligible users. Access to the Internet will not be provided to homes or other non-school or non-library sites."

(Signed) _____
(Name) _____
(Title) _____
(Date) _____

The above statement must be signed and dated. If you are unable to make such a statement, because the statement is not correct, please indicate such.

Applicant Response: The District cannot sign the remote access certification as it is worded because the District has a small number of users (approximately 5) who occasionally dial into the District's WAN from remote locations. Therefore, the District has chosen to reduce a small portion of their funding requests for the two FRNs relating to the District's Internet Access (FRNs 1291084 and 1306188), as a cost allocation for this remote access usage. The cost allocation is based on the total number of Internet users in the District (employees and students) versus the number of remote access users. The calculations are as follows based on data reported on the District's NCLB Report Card.

Internet Users:	Employees	2,000
	Students	13,098
	Total Users	15,098
	Remote Internet Users	5
	% remote users =	0.00033 (5 / 15,098)

The Item 21 attachments reflect a reduction in funding of:

0.00033 of 1/20 of the District's charges from TelCove.;
 0.00033 of one of the 17 DES fiber WAN connections that is used to transport the call from the school dialed into to the high school;
 0.000333 of the Comcast Internet costs.

The specific calculations are reflected on the Item 21 attachments.

In addition, we revised the certification to reflect the fact that the District has performed a cost allocation, and the executed certification is being faxed to your attention.

- Based upon review of your Form 471 application and/or the documentation you provided, we were not able to determine the eligibility of **North Penn SD Educational Service and North Penn SD Bus Garage**. In order to be eligible to receive discounted services, per the rules of this support mechanism, the entity providing classroom instruction must be considered part of an elementary or a secondary school found in the No Child Left Behind Act of 2001 (20 U.S.C. Section 7801 (18) and (38)) which is not operating as a for-profit businesses, and does not have an endowment exceeding \$50 million. Please provide documentation that will verify that the entity meets the definition provided above.

If this entity is a non-instructional facility, which can be eligible for services under certain circumstances, please provide a written response to the following question: For FRN(s) 1291084, 1306188, 1306292, 1306330, 1306368, 1306472,

Do either of these two descriptions accurately and completely describe your school, school district or library's situation? If so, which one or both?

a) The non-instructional facility is owned by the school, school district or library and is used solely for school, school district or library business.

Applicant Response: YES

b) Only school, school district or library employees use the non-instructional facility.

Applicant Response: YES

Please fax or e-mail the requested information to my attention. If you have any questions please feel free to contact me.

Should you wish to cancel this application, or any of your individual funding requests, please clearly indicate in your response that it is your intention to cancel an application or funding request(s); along with the application number and/or funding request number(s), and the complete name, title and signature of the authorized individual.

Please send the requested information within seven calendar days. If you need additional time to prepare your response, please let me know as soon as possible.

Thank you for your cooperation and continued support of the Universal Service Program.

Sincerely,

Larry Bartholomew
Schools & Libraries Division
Program Integrity Assurance
973-581-6754 Voice
973-599-6521 FAX
Email: lbartho@sl.universalservice.org



E-Rate Funding Year 2005
471 Application No. 468663
Re FRNs 1291094 and 1306188

The Internet Access service for which I seek discounts has been cost allocated so that the amounts requested for discounts will be strictly limited to providing services only at eligible locations and used only by eligible users. This funding request will not support access to the Internet from homes or other non-school or non-library sites.

(Signed)

A handwritten signature in black ink, appearing to read 'Edward V. Sherretta', written over a horizontal line.

(Name)

Edward V. Sherretta

(Title)

Manager of Technology

(Date)

10/11/05

Exhibit F

**SLD Frequently Asked Question Regarding Eligible
Locations
(dated February 13, 2004)**

**Overview**

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Provider Forms

SL Main > Reference Area > Frequently Asked Questions about Eligibility of Products and Services

G. Eligible Locations

Q1. If a PBX is to be used for 25 classrooms and 30 extensions, and one extension is used for an ineligible pre-kindergarten classroom rather than K-12, is the entire PBX eligible for discount?

Products or services provided to both eligible and ineligible locations must be cost-allocated in the same way that is described in Cost Allocation Guidelines for Consortia Comprising Eligible and Ineligible Entities posted in the Reference Area of this web site. For the example given, one of the classrooms is not eligible because it is used for pre-kindergarten rather than K-12. The cost of the PBX must be reduced by 1/30 in order to subtract the ineligible location.

Content Last Modified: February 13, 2004

**QUICK LINKS**

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- Reference Area
- Appeals
- Eligible Services List
- Changes & Corrections
- Suspensions & Debarments
- Site Visits

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Search Tips

CONTACT INFO

► **Submit a Question**

- Contact Us
- Whistleblower Hotline - Report Waste, Fraud, & Abuse

SITE HELP

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- Site Tour
- Website Policy

Exhibit G

**SLD's Announcement "New Clarification on Eligibility
of Remote Access Routers" published on May 25,
2000**

USAC

Universal Service Administrative Company

Schools and Libraries

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- [Overview of the Process](#)
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- [Service Provider Conference Calls](#)
- [Eligible Services List](#)
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May 2000 Announcements

Please click on the topic below to view the most recent announcements:

- [SLD Releases Revised FCC Form 486 and New FCC Form 500](#) (05/31/2000)
- [New Clarification on Eligibility of Remote Access Routers](#) (05/25/2000)
- [Holiday Hours Announcement](#) (05/25/2000)
- [Results of Appeals to the SLD and FCC](#) (05/18/2000)
- [SLD Affirms Deadline for Applicant Responses to SLD Queries](#) (05/12/2000)
- [FCC Extends Year Two E-Rate Implementation Deadline, Washington, DC](#) (05/9/2000)
- [SLD Removes Forms 470 Posted in Violation of Rules](#) (05/9/2000)
- [What's New Archives...](#)

SLD Releases Revised FCC Form 486 and New FCC Form 500 (05/31/2000)

[Top of Page](#)

SLD has just posted to this web site **new forms for applicants** to fill in to receive discounts or reimbursements for approved E-rate discounts. These forms are now in use. Recipients of Year 3 funding commitments will receive these forms in the mail.

Simplified Form 486

The new and simplified FCC Form 486, *Receipt of Service Confirmation Form*, replaces the old FCC Form 486, which was dated July 1999. Do not use the old form. In mid-June, old Forms 486 will not be accepted by the SLD. Watch this web site for news of the precise cut-off date.

This new Form 486 features just a few, but important changes:

1. The new form makes provision for you to file NOW your Form 486 for Year 3 if:

1. You have received a funding commitment for Year 3 (i.e., for the year beginning July 1, 2000),
2. Your services are scheduled to begin delivery in July, and you have confirmed that plan with your service provider, and
3. You are comfortable giving the "green light" for invoices to arrive at SLD for payment.

Such "early filing," before services have actually started, can help facilitate the appearance of discounts on your bills early in the Funding Year.

If, however, you have filed early but your start date is delayed beyond July, you should notify SLD immediately of a change in the service start date via the Form 500.

2. The new Form 486 eliminates the need to identify to SLD whether or not you will be submitting a Form 472, *Billed Entity Applicant Reimbursement Form (BEAR)*. You should, however, work with your service provider to determine whether your price

period; however, you previously used the old Form 486, SLD will accept that form up until mid-June. You do not need to resubmit. For more details about the waiver, watch the SLD web site at www.sl.universalservice.org.

NOTE: If you have not yet submitted an initial Form 486 to indicate the start of Year 2 services, please do so as soon as possible if services have already started! If you also want to take advantage of the waiver for services that are non-recurring, you will need to file the new Form 500 as well!

These forms can be found on the SLD web site by clicking the "**SLD Forms**" button. These forms are being mailed to recipients of Year 3 funding commitments. They can also be obtained by calling the Client Service Bureau toll-free at (888) 203-8100, where client service representatives can also help you with your questions about the form.

New Clarification on Eligibility of Remote Access Routers (05/25/2000)

[Top of Page](#)

Remote access routers have generally been considered ineligible for E-rate discounts because such routers can be used for Internet access by anyone with the phone number to dial in to them, that is, access may not be limited to entities eligible to participate in the E-rate program. We have been alerted by program participants that this policy seriously disadvantages many of them since they have such routers and wish to secure discounts for their maintenance or because the purchase of such routers is the most cost-effective alternative for meeting their needs. Many participants have such routers because they were the most cost-effective alternative even though they do not use the remote access capability. Others have such routers in central offices, and their schools secure access to the Internet by dialing in to the routers.

In November 1999, the Federal Communications Commission (FCC) issued a decision on an appeal from White Sulphur Springs School District in Montana (DA 99-2537, released November 16, 1999). In that decision, the FCC upheld the eligibility of a remote access router because it was not being used as a WAN router nor to provide remote access (in fact, the contract with the service provider said the router would not be used to provide remote access).

With that policy decision from the FCC, SLD will consider the circumstances surrounding use of remote access routers before deciding on their eligibility. Specifically, SLD will consider remote access routers eligible if the applicant requesting discounts for such routers provides the following certification to SLD's Program Integrity Assurance team:

"The remote access router(s) for which I seek discounts either will not be used to provide remote access in the funding year or, if it is to be used remotely, I will take steps to ensure that only entities eligible for support under the Schools and Libraries program have the capability to access it. In the latter case, for example, access will not be available from homes or other non-school or non-library sites."

If a router is to be used for remote access, such access must only be from sites for which services would be eligible for discount under the E-rate program. For example, schools may call in to a remote access router at a school district central office, but teachers and students should not be provided with the phone number for them to call from their homes.

If discounts for remote access routers have been denied in Year 3 Funding Commitment Decision Letters dated within the last 30 days and the applicant is able to make the above certification, the applicant may appeal the denial to SLD.

Holiday Hours Announcement (05/25/2000)

[Top of Page](#)

The Schools and Libraries Client Service Bureau will be closed on Monday, May 29, 2000, in observance of Memorial Day. The Client Service Bureau will resume normal operations on Tuesday, May 30 at 8:00 a.m. ET.

Exhibit H

**SLD Web Site Advice, "Item 21 Attachments for Form
471, Section 3, Certifications and Additional
Information to Include in Item 21 Attachments"
(dated February 3, 2005)**

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SL Main > Reference Area > Item 21 Attachments For Form 471

Item 21 Attachments For Form 471

1. [Item 21 Attachment Overview](#)
2. [Item 21 Attachment Examples](#)
3. [Certifications and Additional Information to Include in Item 21 Attachments](#)
4. [How to File the Item 21 Attachment Appendix: Further Examples of Certifications and Additional Information](#)

Each Form 471 Block 5 Funding Request must include a description of the products and services for which discounts are being sought. This description is known as an "Item 21 Attachment."

Clear and complete Item 21 Attachments allow an efficient review of funding requests so that prompt funding decisions can be made. Incomplete or unclear Item 21 Attachments slow the decision process, to the detriment of applicants and service providers.

The paragraphs below describe the components of Item 21 Attachments, and provide several examples.

1. Item 21 Attachment Overview

Several different formats are possible for the Item 21 Attachment. However, the Item 21 Attachment generally consists of three parts, as follows:

- Narrative overview or description
- Line item detail of the products and services requested
- Additional details such as equipment locations or other information needed to support the specific funding request.

Applicants often receive the assistance of service providers in creating the Attachment, which can be one or more of the following:

- Applicant-provided documentation
- A quote or bill from the vendor
- A copy of the contract for the service

In addition, the SLD has developed a prototype on-line system for creating Item 21 Attachments as part of its Eligible Products Database pilot program. It is available at http://www.sl.universalservice.org/vendor/epd_pilot.

**QUICK LINKS****Apply Online**

- [Reference Area](#)
- [Appeals](#)
- [Eligible Services List](#)
- [Changes & Corrections](#)
- [Suspensions & Debarments](#)
- [Site Visits](#)

SITE SEARCH

Search Tips

CONTACT INFO**Submit a Question**

- [Contact Us](#)
- [Whistleblower Hotline - Report Waste, Fraud, & Abuse](#)

SITE HELP

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Narrative description. The narrative description should be a summary that allows SLD staff to understand the objective of the funding request. For example:

- "Additional E-mail servers for three locations"
- "Internet access for new library branch"
- "New data distribution equipment to replace old equipment"

Line item detail. Regardless of the specific format utilized, the Item 21 Attachment should include the following type of information:

Quantity	Product or Service Description	Unit Cost	Extended Pre-discount Cost	
			Recurring	Non-Recurring

Additional details. Products and services that can be supported with E-rate funds are "conditionally eligible," which means that they are eligible for funding if used in certain ways. The Item 21 Attachment is the applicant's opportunity to provide sufficient information so that SLD staff can make a determination about whether the applicant's proposal meets FCC eligibility rules. This document, the Eligible Services List, and other documents provided in the Reference Area of the SLD web site, provide further information about the ways that products and services should be used if E-rate funding is to be obtained.

Location information. The instructions for Form 471 for Fund Year 2005 indicate that Internal Connections funding requests are to include information about where the physical components will be located. This is often the same as the entities that are receiving service, as indicated in Block 4 of Form 471. However, in some cases, components can be installed in a location different than the entity receiving service, such as when components are located at a district office but serve the needs of one or more separate schools. Examples of information that specify the physical location of internal connections products could be:

- "One router and associated components per school"
- "All equipment to be located at District Office"
- "Components to be located at entity number 12345"
- "One file server will be located at each location specified in Block 4, except three file servers

will be installed at entity number 12345."

An overall specification for the location of components may be possible for some funding requests, while in other cases information may be required that is specific to some or all line items.

In the next section, some examples of Item 21 Attachments are presented. In Section 3, further information about the "Additional Details" section of the Item 21 Attachment is provided.

2. Item 21 Attachment Examples

Examples are provided below (in Microsoft PDF file format) to assist applicants in understanding an acceptable layout and relevant information for the Item 21 Attachment. Click on the links below to view each example.

To view an Item 21 Attachment that features Internal Connections, [click here](#)

To view an Item 21 Attachment that features Internet Access Services, [click here](#).

To view an Item 21 Attachment that features Telecommunications Services, [click here](#).

Submission of a representative telephone bill. In addition to the above examples, for telephone services, an applicant may submit a previous, representative bill, and optionally may include a listing of the previous year's charges in order to substantiate these charges for the next fund year. To view an Item 21 Attachment that is based on a representative previous phone bill, [click here](#). Any ineligible components of the phone bill (such as extra costs for an unlisted number) must be removed from the funding request. Any funding requests greater than that indicated by the historical information submitted must be justified with specific information, such as: "Two additional phone lines are being installed." General information, such as "anticipated growth" is insufficient unless accompanied by specific and verifiable rationale. If 30% or more of a funding request does not have specific justification information, the entire cost may be denied.

3. Certifications and Additional Information to Include in Item 21 Attachments

The above examples illustrate relatively straightforward funding requests. However, in many instances additional information is useful or necessary. The SLD often will request additional

information during its review process. Applicants can assist SLD review of their funding requests by providing information as a part of the Item 21 Attachment that would otherwise be requested during the review process.

In general, further information will be requested where information submitted is not sufficiently detailed, or where additional review is deemed appropriate. For example, the following information submitted without further details would NOT be sufficiently complete for the SLD to make a positive funding determination:

**Example of INSUFFICIENT
INFORMATION:**

(5) routers @
\$16,000 each
Technical services for
above products @
\$48,000

For this example, SLD staff would need to request further information about the specific products being purchased and the details of the requested technical services. SLD staff also may request copies of vendor quotations, a specific listing of the modules or specifications for a product, and/or copies of contracts, so for complex configurations or relatively high-end components, applicants may wish to include this information as part of the Item 21 Attachment.

Funding requests should be accurately described in sufficient detail to enable SLD staff to make efficient and correct funding determinations. Applicants should check the Eligible Services List, and other documents available in the Reference Area of the SLD web site, in order to understand the eligibility requirements for the products and services being requested. The Item 21 Attachment should provide correct and complete factual information that shows that the conditions for eligibility are satisfied. For example:

- "The Web hosting service does not include any ineligible content creation services."
- "The memory upgrade requested will be installed in an eligible e-mail server."
- "The multiple T-1 lines are not redundant or duplicative, and are required for the bandwidth needs of the applicant."
- "The training requested consists of basic instruction in the use of eligible equipment. It is directly associated with the purchase of this equipment, and is part of the same contract. No end user training is being provided."

SLD's review process also requires further information when funding requests include the following components or configurations:

- Remote access equipment
- Equipment that can establish a Virtual Private Network (VPN)
- File servers
- Extensive file storage
- Wireless components
- Ineligible functionality that must be cost allocated
- Amortization of up-front service provider infrastructure costs
- On-premise Priority 1 equipment

The Appendix to this document provides suggestions for information to include in Item 21 Attachments when any of the above functions or features is included.

4. How to File the Item 21 Attachment

The Item 21 Attachment can be submitted to SLD by e-mail, by fax, by U.S. mail or courier, or as a part of a manually filed Form 471 application. The attachment should include this information:

A label of "Form 471 Item 21 Attachment"

The applicant's name

The Attachment Number you have specified on Form 471 for the Item 21 Attachment.

Additionally, if the Item 21 Attachment is being submitted separately from the Form 471, then the Attachment or a cover letter must also include:

The applicant's Billed Entity Number

The Form 471 application number, if one has been assigned through electronic filing, or the Form 471 Applicant Form Identifier, if the Form 471 has been filed manually.

The Item 21 Attachment must be received before the SLD can begin review of a Form 471 application. While the Item 21 Attachment need not be submitted within the "Form 471 filing window," it must be filed in a timely fashion so that SLD can review the information and make a determination of product and service eligibility.

Applicants who already have been contacted by a member of the SLD review team about a submitted

member of the SLD review team about a submitted Form 471 should send the Item 21 Attachment to the e-mail address or fax number that the SLD review team member provides. Otherwise, Item 21 Attachments should be submitted in either of the following ways.

Send submissions via **E-mail**. (Do not send submissions other than Form 471 Item 21 Attachments to this e-mail address.) Documents may be sent in most commercially available word processing or spreadsheet formats. Scanned documents may also be sent. (TIF file format is preferred.) Total file size of the e-mail message must be limited to less than 10 Megabytes. If you have more than one Form 471 application, do not combine Item 21 Attachments from multiple Form 471 applications in the same e-mail message.

Send fax submissions to (973) 599-6511. (Do not send submissions other than Form 471 Item 21 Attachments to this fax number.)

Send U.S. mail submissions to SLD-Form 471, P. O. Box 7026, Lawrence, Kansas 66044-7026. For courier delivery services or U.S. Postal Service Return Receipt Requested, send to SLD Forms, ATTN: SLD-Form 471, 3833 Greenway Drive, Lawrence, Kansas 66046.

All certifications provided as a part of the Form 471 also apply to the Item 21 Attachment, including certifications of compliance with state and local procurement laws and compliance with Schools and Libraries Support Mechanism program rules. Misrepresentations on the Item 21 Attachment can result in the administrative and criminal penalties described in Block 6 of Form 471.

Appendix: Further Examples of Certifications and Additional Information

The following examples describe particular cases where further information should be supplied with Item 21 Attachments.

Remote access equipment. FCC rules do not allow funding for products or services that are used to provide data connectivity into an applicant's network from ineligible locations. A product that is capable of providing such a remote access capability can be eligible for discounts only if the applicant provides a certification that it will not be used for such ineligible purposes. The required certification is as follows:

The remote access equipment for which I seek discounts either will not be used to provide remote

not be used to provide remote access or, if it is to be used remotely, I will take steps to ensure that only entities eligible for support under the Schools and Libraries Support Mechanism have the capability to access it. In the latter case, for example, access will not be available from homes or other non-school or non-library sites.

If this certification cannot be truthfully completed, and there would be a combination of both eligible and ineligible uses, then refer to the SLD document Cost Allocation Guidelines for Products and Services that Contain Eligible and Ineligible Components.

Virtual Private Networks (VPNs). Some data distribution components such as routers include the capability to establish a Virtual Private Network, and such functionality is not eligible under FCC guidelines. Therefore, E-rate support cannot be provided for products or modules designed specifically as VPN devices. However, products that include this functionality, but can be used for other eligible purposes, can receive E-rate support if applicants submit a certification that the components will not be used for ineligible purposes. This certification may be submitted:

The data distribution equipment for which I seek discounts will not be used for ineligible purposes, such as establishing a Virtual Private Network. Any such functionality available in E-rate funded components will not be utilized.

If this certification cannot be truthfully completed, and there would be a combination of both eligible and ineligible uses, then refer to the SLD document Cost Allocation Guidelines for Products and Services that Contain Eligible and Ineligible Components.

Network file servers. The eligibility of network file servers is dependent on the use of the servers.

Therefore, the SLD will not approve funding requests for file servers unless the specific use(s) of the file servers are specified. In addition, file server costs should be allocated appropriately between eligible and any ineligible uses. If the use of the file server is fully eligible, then applicants can assist the SLD review process by including the following statement:

The network file server(s) for which I seek discounts will be used only for the following eligible purposes: [applicants should indicate the eligible uses for the server(s)]. The server(s) will not be used for

server(s) will not be used for ineligible purposes, including but not limited to the following ineligible uses: Application Server (e.g., providing application software to end users), Database Server, Data Warehouse Server (including storage of non-e-mail end user files), and Archive Server.

The Eligible Services List, available in the Reference Area of the SLD web site, provides additional information about the eligible and ineligible uses of file servers.

If this certification cannot be truthfully completed, and there would be a combination of both eligible and ineligible uses, then refer to the SLD document Cost Allocation Guidelines for File Servers and Other Components.

Extensive file storage. Computer equipment such as hard drives that is used for storage is eligible or not eligible, depending on how it is used. When funding requests include components that provide particularly high data storage, the SLD may seek further information to ensure that funding is provided only for eligible uses. If applicants believe that their funding requests could raise a question about the eligibility of included storage, and if the use of computer storage equipment is fully eligible, then applicants can assist the SLD review process by including the following statement:

The storage capacity for which I seek discounts will be used only for the following eligible purposes: [applicants should indicate the eligible uses of the storage]. The storage will not be used for ineligible purposes, including but not limited to the following ineligible uses: storage of end user files other than e-mail, storage for application software or other ineligible software, storage of archival information, and storage for caching.

If this certification cannot be truthfully completed, and there would be a combination of eligible and ineligible uses, then refer to the SLD document Cost Allocation Guidelines for Products and Services that Contain Eligible and Ineligible Components.

Wireless Components. Wireless components are technologically capable of providing connectivity either within an applicant's grounds or beyond those grounds across a public right of way. FCC rules indicate a presumption that components are ineligible as internal connections in this letter

ineligible as internal connections in this latter configuration, i.e., the components are not eligible when utilized for a wide area network. Therefore, Internal Connections funding requests that include wireless access points or antennas should include a certification that the components will only be used in an eligible configuration, as follows:

The wireless components for which I seek discounts will not be configured to enable data or other communication across a public right of way, and will be used only for connectivity within a single campus of a school or library facility.

If this certification cannot be truthfully completed, and there would be a combination of eligible and ineligible uses, then refer to the SLD document Cost Allocation Guidelines for Products and Services that Contain Eligible and Ineligible Components.

Ineligible functionality that must be cost allocated. Applicants must only seek funding for eligible products and services. Cost of ineligible components or functionality must be subtracted. [Click here](#) to view an Item 21 Attachment that includes a subtraction for ineligible functionality. For further information about subtracting ineligible capability see Cost Allocation Guidelines for Products and Services that Contain Eligible and Ineligible Components.

Amortization of up-front capital costs. For projects that have service provider infrastructure with up-front capital costs greater than \$500,000, the initial capital costs must be amortized over at least a three-year period. To view an Item 21 Attachment that shows the amortization of capital costs, [click here](#).

The use of E-rate funds for the buildout of a service provider's infrastructure is limited. The FCC has recognized that some business arrangements between an applicant and service provider, even if labeled a lease of services, can reach essentially the same result as a prohibited WAN purchase by applicants. The SLD will not commit to discounts on such arrangements. Further information about relevant program rules may be found in Wide Area Network (WAN) Fact Sheet posted in the Reference Area of this web site.

On-premise Priority 1 equipment. In limited circumstances, some types of equipment located at the applicant site can be funded as a part of an end-to-end telecommunications or Internet access service. Depending on the complexity of the request, the Item 21 attachment for such funding requests may consist of from two to four components:

- The listing of products and services that make up the request. This should include a specification of the components that will be located at the applicant site, and a narrative overview of the funding request.
- A statement indicating whether or not there is compliance with each of the several conditions for on-premise Priority 1 equipment. (The web site reference provided below has further information about each of these conditions.)
- When not otherwise clear from the other information provided, a calculation that shows whether or not up-front capital charges of on-site components are less than 67% of total charges requested.
- For situations in which the equipment configuration is not clear from other information submitted, a network diagram may be required that shows how the components are interconnected with an applicant's internal connections components.

In cases where the above information is not provided, SLD may request further information during review of the application. To view an Item 21 Attachment that specifies on-premise Priority 1 components, [click here](#). Further information is available in the document [On-Premise Priority 1 Equipment](#) posted in the Reference Area of this web site.

In addition to the above information and certifications, the SLD reiterates that the applicant certifies as a part of the Form 471 that (1) resources to use the services effectively have been secured (Form 471, Block 6, Item 25), and (2) all required documents will be retained for a period of at least five years after the last day of service delivered (Form 471, Block 6, Item 32).

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Exhibit I

FCC Public Notice 05-197, Release of Funding Year
2006 Eligible Services List for Schools and Libraries
Universal Service Support Mechanism, CC Docket No.
02-6 (November 22, 2005)



PUBLIC NOTICE

Federal Communications Commission
445 12th St., S.W.
Washington, D.C. 20554

News Media Information 202 / 418-0500
Internet: <http://www.fcc.gov>
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FCC 05-197
Released: November 22, 2005

RELEASE OF FUNDING YEAR 2006 ELIGIBLE SERVICES LIST FOR SCHOOLS AND LIBRARIES UNIVERSAL SERVICE MECHANISM

CC Docket No. 02-6

On December 23, 2003, the Commission adopted a rule that formalizes the process for updating the eligible services list for the schools and libraries universal service support mechanism.¹ On August 15, 2005, the Commission released a Public Notice (FCC 05-158) seeking comment on USAC's proposed eligible services list, pursuant to the Commission's rules.²

Pursuant to section 54.522 of the Commission's rules, the Commission releases the attached funding year 2006 Eligible Services List (ESL) for the schools and libraries universal service support mechanism. Section 54.522 requires the Commission to issue a public notice attaching the final eligible services list for the upcoming funding year at least 60 days prior to the opening of the funding window for the schools and libraries program.³ Under this timeframe, the Administrator of the schools and libraries universal service support mechanism (the Universal Service Administrative Company or USAC) would need to wait 60 days after the Commission releases a final ESL for funding year 2006, before it could open the funding window for funding year 2006. To facilitate the application process for funding year 2006, we authorize USAC to open the annual application filing window on December 1, 2005. We therefore waive on our own motion section 54.522 of the Commission's rules requiring publication of the ESL at least 60 days prior to the commencement of the filing window. We conclude that this action will facilitate the application process for E-rate beneficiaries applying for monies for funding year 2006.

Some of the major changes in eligibility that have been made to the funding year 2005 version of the ESL are highlighted below:

- **On-premise Wireless WAN Components:** Modifications to the list will allow on-premise components to be requested either as Internal Connections or as part of the Priority 1 service.
- **Terminal Servers:** We add a new entry for Terminal Servers defining when a Terminal Server will be considered eligible for discounts.

¹See 47 C.F.R. § 54.522. The rule was intended to promote greater transparency for what is eligible for support under the schools and libraries support mechanism. See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Third Report and Order and Second Further Notice of Proposed Rulemaking, 18 FCC Rcd 26912, 26929, para. 40 (2003).

²See *Pleading Cycle Established for Eligible Services List for Universal Service Mechanism for Schools and Libraries*, CC Docket No. 96-45, FCC 05-158, Public Notice (rel. August 15, 2005) (August 15th Public Notice).

³See 47 C.F.R. § 54.522.

- **Virtual Private Network Components:** We clarify that Virtual Private Network components will now be eligible for discounts if they provide basic and reasonable security protections to prevent unauthorized access to the information, software, and systems of an applicant's eligible components.⁴
- **Voice Mail Equipment:** An entry has been added for Voice Mail Equipment in the Internal Connections section of the document.
- **Late Payment Fees:** We add an entry to clarify that late payment charges and fees will not be funded.
- **Duplicative Services:** An entry has been added to the Miscellaneous section to explain that in general, duplicative services will not be funded.

After reviewing the entire record in this proceeding, the Commission has made additional substantive changes to the version of the ESL proposed by USAC as released by the August 15th Public Notice. Some of the major changes made to the version of the ESL proposed by USAC are highlighted below:

- **Note Concerning Combined Priority 1 Services:** We have declined to adopt USAC's proposal to require applicants to use a separate Funding Request Number for the Internet Access portion of a combined service offering.⁵
- **Wireless Internet:** We have clarified USAC's proposed changes to the entry for Wireless Internet to provide eligibility for wireless internet access for portable devices as long as the applicant has in place an auditable system to allocate between eligible and ineligible uses.⁶
- **Terminal Servers:** We have revised USAC's proposed language for this new entry which had indicated that a terminal server that provided access to software was ineligible under the guidelines.⁷
- **Certifications and Statements Regarding Eligible Use:** We decline to adopt USAC's proposed entry and corresponding modifications asking for additional certifications beyond the certifications already required in Block 6 of Form 471.
- **WAN vs. LAN Components:** We make minor changes to establish that there could be one demarcation point per each Wide Area Network service.⁸

As we stated in the August 15th Public Notice, this proceeding is limited to determining what services are eligible under the Commission's current rules and is not intended to be a vehicle for changing any eligibility rules. Therefore, those comments not addressed in the funding year 2006 Eligible Services List, may be more appropriately filed for the Commission's consideration in the active proceeding for the

⁴See Comments of BellSouth Corporation at 1.

⁵See Comments of Sprint Nextel Corporation at 1-3; Comments of the State E-rate Coordinators' Alliance (SECA) at 1-3; Comments of E-rate Central at 1-2.

⁶See Comments of Sprint Nextel Corporation at 4-5.

⁷See Comments of Citrix at 3.

⁸See Comments of General Communication, Inc.; Reply Comments of Lower Kuskokwim School District, Alaska; Reply Comments of the Alaska Department of Education and Early Development and the Alaska State Library at 1-3.

Schools and Libraries Universal Service Support Mechanism in CC Docket No. 02-6. Those comments not addressed may include comments that requested eligibility for new services or products, comments that requested that services or products currently deemed ineligible be made eligible, comments that requested that the Commission take action outside of the scope of this proceeding, and/or comments that requested that the Commission take action that was not permitted by the short time frame allotted for this proceeding by section 54.522.

For further information, contact Warren Firschein or Cara Voth in the Telecommunications Access Policy Division, Wireline Competition Bureau at (202) 418-7400, TTY (202) 418-0484.

Action by the Commission on November 18, 2005 by Chairman Martin and Commissioners Abernathy, Copps, and Adelstein.

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